UNITED NATIONS

DP

Governing Council of the United Nations Development Programme

Distr.
GENERAL

DP/CP/HUN/5
27 March 1992

ORIGINAL: ENGLISH

Thirty-ninth session
4-29 May 1992, Geneva
Item 6 of the provisional agenda

PROGRAMME PLANNING: COUNTRY AND INTERCOUNTRY PROGRAMME AND PROJECTS

FIFTH COUNTRY PROGRAMME FOR HUNGARY

Programme period	Resources	$
1992-1996	Net IPF	1 776 000
	Estimated cost-sharing	0
	Total	1 776 000

CONTENTS

		Paragraphs	Page
I.	DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES	1 - 11	2
	A. Current socio-economic situation	1 - 5	2
	B. National development objectives and strategies ...	6 - 11	3
II.	EXTERNAL COOPERATION	12 - 18	4
	A. Role of external cooperation	12 - 16	4
	B. Aid coordination arrangements	17 - 18	4
III.	THE COUNTRY PROGRAMME	19 - 60	5
	A. Assessment of ongoing country programme	19 - 22	5
	B. Proposals for UNDP cooperation	23 - 52	6
	C. Assistance outside the main country programme areas	53	12
	D. Implementation and management arrangements	54 - 60	13

Annexes

I.	Financial summary	15
II.	Programme matrix	17

92-14712 2945c (E) 150492 160492

/...

I. DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES

A. Current socio-economic situation

1. In the current historic process of transition, Hungary has had a favourable starting position, since unlike most of its neighbours, it already contained elements of a market economy: greater autonomy of State enterprises, homestead agriculture and small private enterprises, a two-tier banking system, higher living standards and higher quality of demand on the part of its consumers, wider integration in the world economy, maintenance of Hungary's liquidity and a conducive environment for the inflow of foreign capital. Accordingly, the reform process has been faster and foreign investment more plentiful (50 per cent of all foreign investment in Eastern Europe in 1990-1991 has gone to Hungary). However, Hungary also inherited from the previous regime a $21 billion foreign debt, the highest per capita in Eastern Europe, which the Government does not plan to reschedule.

2. The basic economic indicators during 1991 give mixed signals. Balance of payments figures, in particular, offer grounds for optimism: in 1990 they proved better than anticipated, and while there will be a bigger trade deficit than expected in 1991 ($1.2 billion rather than 700 million, mostly caused by the 60 per cent drop in East European trade), rising bank reserves and $1.5 billion in foreign investment will produce a slight surplus amounting to $300 million in the current account balance. Also on the positive side is the manageable inflation rate of 35 per cent, lower than expected, and the progress made in privatization.

3. On the negative side, unemployment has risen faster than foreseen, to more than 350,000, representing 7-8 per cent of the labour force. In some regions, particularly those dependent on agriculture, metallurgy and mining, the rate is double. Hungary also experienced a decline in real gross domestic product (GDP) by 7-9 per cent in 1991 (although it was probably partly offset by unrecorded growth of the unofficial economy). This rate is very differentiated, i.e. it reaches 14-16 per cent in industry, but only 3-4 per cent in agriculture.

4. The human development indicators place Hungary thirtieth in 1991; however, this ranking is based on 1985 official figures, which may have changed significantly in one direction or the other since that date. It is clear however that (a) educational attainments were and remain high; (b) life expectancy rates, although high, are known to have been adversely affected over the last decade by factors such as the polluted environment, stress factors and poor nutrition; (c) gross national product (GNP) indicators need to be thoroughly revised; (d) gender disparities are a factor to be monitored in future as the social norms of the former system are modified.

5. The first positive signs that the recession will be reversed next year, with a slight GNP increase, are appearing. The principal new areas of expansion are machinery, new technologies and tourism. Although medium-term

forecasts are encouraging, any real improvement in the situation will require further substantial increases in exports to the industrialized market economies.

B. National development objectives and strategies

6. "The strategic goal of the Government's programme is to restore economic freedom to people in their individual and collective life, and to reconstruct their communities." (from The Economic Programme of National Renewal, Prime Minister's office, September 1990). The aim of the economic development programme for the next few years - developed in early 1991 in line with a three-year agreement with the International Monetary Fund (IMF) - is that a market economy should keep the option of upward mobility open for everybody, at the same time ensuring a just distribution of wealth in order to protect the poor. At the same time, a huge debt burden was inherited from the previous regime. Since credibility is one of the most important factors of a market economy, Hungary regards the respect of its obligations to the outside world as of fundamental importance.

7. Hungary plans to attain the standards of a developed market economy through modernization with the help of privatization. Social stability is an interest shared with Hungary's neighbours in Eastern/Central Europe; Hungary aims to form secure business relationships with them based on common historical, economic and geographical resources.

8. The country aims to move out of the present stagnation as soon as possible, and onto a growth path. An anti-inflationary policy is a key element in achieving this goal, but unemployment, unavoidable because of the extensive structural change required, has to be dealt with at the same time. The main objective is to retrain and redeploy those who have been made redundant while at the same time, the social safety net must reach those unable to exploit the opportunities that this programme presents.

9. The country's economic administration is counting on individual initiative in the transformation of the economy. Local government authorities, professional bodies, various types of associations, all have a role to play; efficient administrators and civil servants are also needed.

10. The creation of a well-educated society is a necessary precondition for achieving Hungary's economic aims. Higher standards of general education facilitate the retraining that is part of structural change. Much closer links between training, research and implementation are a condition of technical progress, and thus, of development.

11. The Government's development programme plans to build on Hungarian traditions, geographical resources and intellectual strength. It sees the best use of these assets in an economic structure in which a strengthened travel and tourism industry, service industry and financial sector join the long-established agricultural sector and the industrial sector developed during the last 45 years in supporting the economic growth of the country.

II. EXTERNAL COOPERATION

A. Role of external cooperation

12. The role of external capital and technical cooperation during the present phase of Hungary's transition to a full market economy is to be concentrated in the following areas:

(a) Introduction of Western production techniques and quality standards for restructuring the economy to meet the requirements of the Western market. This aspect is left largely to the private sector (private investment, joint ventures, individual licences and other agreements);

(b) Technical assistance for the privatization process, including valuation, accountancy training, etc;

(c) Transformation of the communications and information infrastructure to align the country with Western systems and standards;

(d) Management training and human resource development at all levels in the skills required in a market economy.

13. The main sources of grant funds are: the European Community through the Phare programme, United States of America, United Kingdom and Germany.

14. The Phare programme is disbursing ECU 208 million between 1990 and 1991, the major areas being: assistance to privatization (ECU 45 million), support to private agriculture (ECU 33 million), environmental protection (ECU 37 million), assistance to small and medium enterprises (ECU 24.5 million), higher education (ECU 22 million). The 1992 programme is expected to continue support to the private sector and the other areas, in addition to providing assistance in the social sphere and the labour market.

15. The United States has an extensive programme in banking and financial services, comprising policy advice, training and internship programmes. It assists privatization and business development, particularly through the "Hungarian-American Enterprise Fund" and various management training projects. It is active in the energy sector and in environmental protection, the latter with special emphasis on regional aspects.

16. The World Bank, in addition to a structural adjustment loan of $200 million, is implementing projects on enterprise restructuring, agricultural exports (US$ 100 million), modernization of the financial sector (US$ 66 million), and transport and energy.

B. Aid coordination arrangements

17. Organisation for Economic Cooperation and Development (OECD) aid, including Phare, which provides by far the largest portion of grant technical

assistance, is coordinated by an inter-ministerial committee headed by the State Secretary of the Ministry of International Economic Relations, which also comprises the coordinating secretariat. The Committee includes representatives of all the Ministries concerned as well as the National Bank.

18. United Nations assistance, including the United Nations Development Programme (UNDP), is coordinated by the Department of International Economic Relations at the Ministry of Foreign Affairs, whose Director is a member of the Interministerial Committee.

III. THE COUNTRY PROGRAMME

A. Assessment of ongoing country programme

19. The fourth country programme (1986-91) addressed two main concerns: (1) the need to strengthen the equilibrium in external accounts through improvements in the productive efficiency of the economy and the modernization of its structure (the role of science and technology in this task was emphasized, with particular focus on training more people in higher management and technological skills and in sophisticated manufacturing techniques); and (2) the need to improve the living standards of the population, by upgrading services and infrastructure, including health care services, water supply and other public facilities. Within this framework, 14 projects were proposed around four main themes: upgrading of technology and the skills of scientists and engineers; development of natural resources; efforts to attain better health for the population; and enhancement of management techniques.

20. The experience with the fourth country programme, as evidenced by the 1989 mid-term review and by the monitoring of the individual projects, is positive in that most of the immediate objectives were achieved, creating substantial new capacities and international links which the Government now expects to produce results in the evolving economic context (e.g. the development of dental ceramics, of building materials using industrial waste, of non-toxic pesticides; the strengthening of monitoring systems for air and water pollution; haematological research).

21. It should be noted that shortly after the mid-term review of the fourth country programme in 1989, the political changes in Eastern Europe necessitated a radical change in approach. In 1990 and 1991, uncommitted funds under all Eastern European programmes were redirected in order to better support the transformation process. The Medium-term Programme (MDP)/Special Programme Resources (SPR) funding and some inter-country resources were also used to field short-term consultants to each country of the region, including Hungary, with a view to addressing urgent needs arising from policy shifts, offering options and defining needs for management training and support.

22. Nevertheless, the national political and institutional framework in which the fourth country programme was formulated was a very different one. Some of its underlying aims, namely, the possibility of much-sought-after contacts

with Western institutions, access to Western equipment and technology that otherwise would have been difficult to obtain, particularly information technology, have now lost their relevance. Moreover, the links between State, research institutions and the productive sector have become more complex. It is now imperative to design and situate projects in such a way as to ensure that their achievements are translated into concrete development-oriented action.

B. Proposals for UNDP cooperation

1. Preparatory process

23. Hungary hosted a UNDP/MDP reconnaissance mission, concentrating on public administration in January 1990, followed by a Regional Bureau for the Arab States and Europe (RBASE) high-level mission headed by the Regional Director in March 1990, and a follow-up mission for programme identification in July 1990. A number of sectoral missions concerned with management development and the private sector followed. A regional seminar in April 1991 highlighted the effect of the economic transition on women and produced the guidelines for future activities on this theme. The overall strategy developed with Hungary as well as with the other European countries in transition in the course of this period, was formulated during a subregional meeting held in Geneva in April 1991 and endorsed by UNDP's Governing Council in June 1991. One of the aspects agreed on at that time was that UNDP would aim for comprehensive, carefully targeted programmes cofinanced by other donors.

24. UNDP's advisory note was received in November 1991, followed by a programming mission in early December during which the Government received further clarification on the contents of the note and expressed its reaction. Input was also received at about the same time from various United Nations agencies to which copies of the note had been circulated. In January 1992, the UNDP advisory note and the draft country programme were discussed by the Government. Specific project proposals based on recent programme priorities were selected by an inter-ministerial committee and submitted to UNDP for approval.

2. Strategy for UNDP cooperation

25. UNDP's mandate for human development centres on investment in people, developing national capacity and self-reliance and building partnerships - concerns that closely coincide with those of the Republic of Hungary. Although UNDP's financial means do not match those of other donors, the Government of Hungary wishes to maximize UNDP's comparative advantages, namely, its political and sectoral neutrality, its multisectoral and multidisciplinary approach and its universal access to appropriate know-how. The Government also notes that UNDP has long-standing experience in supporting Government coordination of foreign technical assistance.

26. UNDP's efforts cannot be sustained at a meaningful level through its core resources for Hungary, which have been reduced by 14 per cent since the fourth cycle, and by 76 per cent since the first cycle. Other possibilities for mobilizing resources will therefore be explored without diverting funds or attention from the most needy of the recipient countries. Accordingly, the plan is to deliver, in addition to IPF resources, up to US$ 10 million in co-financing through UNDP under this country programme. Among the instruments that might be considered are donor cost-sharing for projects or thematic activities at the country programme level and country-wide or special purpose trust funds. It is hoped that additional parallel financing arrangements will further increase the scope of the programme. The Government of Hungary and UNDP will collaborate in actively seeking such arrangements within the framework of the Government's aid coordination mechanism. At the same time, the Government will emphasize cooperation with developing countries.

27. The Government of Hungary and UNDP have agreed on four major thematic areas in which UNDP assistance should concentrate during the next cycle. These areas will be more fully described in the following section, and are, in order of relative importance:

Private sector development, including information services (45 per cent);

Management development (25 per cent);

Environmental protection (10 per cent); and

Human development monitoring (10 per cent).

28. The percentages in brackets refer to the approximate and tentative proportion of the fifth cycle IPF allocated for each area. It is assumed that substantial additional resources will be mobilized, and they may be distributed differently.

29. About 10 per cent of the UNDP core resources will be left unprogrammed in order to provide a flexible reserve to be used for programme development, resource mobilization and country programme management and coordination.

30. Within each sector, it is agreed that the following criteria should be systematically applied when examining specific proposals for UNDP assistance:

(a) Impact on human development;

(b) Impact on national capacity-building;

(c) Consistency with the country programme's priority themes;

(d) Key role for the project in its area, or constructive complementarity to other key technical assistance activities in the same area;

(e) Potential for a catalyst role in drawing additional financing from multilateral or bilateral partners;

(f) Carefully reasoned project design, with logical progression from objectives through activities to cost-efficient inputs;

(g) Correct placement of the project within the Hungarian institutional framework and clear support by the host institution and related authorities;

(h) Synergy between country and intercountry activities.

3. Proposed UNDP cooperation in selected areas of concentration

Private sector development

31. The development of the private sector is the cornerstone of the economic reforms taking place in Central and Eastern Europe, including Hungary, where the process of privatization started earlier and is therefore more advanced than in other countries of the subregion. The Hungarian Government considers this to be the first and foremost task at hand and pursues it in all its aspects, including legislative measures, strengthening of institutions such as the stock market and the State privatization agency, reform of the financial and foreign trade sector, support to enterprises, information services, partial privatization of infrastructural services, creation of the intellectual infrastructure and training at all levels. The role of technical cooperation in this field cuts across all the areas of concentration assigned to foreign technical assistance by the Government, and all the major donors are taking part in the effort, as noted in section II.A. above.

32. Proposed UNDP cooperation. UNDP's mandate to foster human development by strengthening national capacity to support the balanced development of the private sector, confers upon it a special responsibility at Hungary's present stage of development, where privatization and the development of the private sector are attracting a large number of outside contributions. The Government sees a role for UNDP in initiating support programmes in areas where national capacity needs to be strengthened and in acting as a catalyst to attract foreign investment into these areas.

33. UNDP has already been active in the field of privatization at the regional and national level in the whole subregion. A comprehensive study on privatization was prepared, and the Regional Privatization Network is exploiting a decided comparative advantage of the United Nations system by providing key leaders of privatization in each country with the opportunity to learn from the experience in other countries and regions through a flexible and responsive mechanism. In support of private enterprises, a new regional programme called the "Turnaround Management Programme" will provide "hands-on" assistance and advice on a one-to-one basis to local enterprise leaders from experienced managers of all affiliations and nationalities.

34. Within the framework of UNDP's mandate, UNDP's regional activities in this field, other major technical assistance activities under way in this sector and building on UNDP's particular strengths and contacts, the

Government of Hungary envisages UNDP's participation in the establishment of an integrated network of computer-based information services, with special emphasis on the information needs related to the process of privatization. UNDP's assistance in the establishment of financial institutions and funds for supporting the activities and meeting the special needs of small and medium enterprises would also be desirable. In addition, UNDP's traditional and long-term experience in infrastructural development could be useful in assisting local private entities that are entering this field for the first time. Lastly, in the transition period international assistance, including UNDP's contribution, would be essential in order to establish the intellectual infrastructure indispensable for the proper functioning of a market economy and Hungary's integration with Western democracies.

35. Complementary assistance. UNDP assistance will be used to provide realistic and pragmatic assistance at the country level in coordination with other initiatives, such as the Regional Privatization Network and the Turnaround Management Programme that UNDP has undertaken at the regional level. The Hungarian Government is aware that UNDP is developing new relationships in this field with the European Community, the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the World Bank, the Economic Development Institute (EDI) and the International Finance Corporation (IFC) in an effort to ensure full participation in constructive dialogues and coordination in the development and implementation of these and other programmes.

36. It is intended that by the end of the programme period, UNDP assistance to the private sector in Hungary will have produced, if not a measurable difference in terms of GNP, visible results as regards the composition of the private sector. It is hoped that it will favour subsectors with significant effects on human development in the country, with particular reference to job creation, sustainable economic development, regional development, the advancement of women and other disadvantaged population groups.

Management development

37. The dismantling of the centrally planned economy, the collapse of the COMECON cooperation mechanism and the creation of a single European market pose an enormous challenge to those charged with managing the Hungarian economy. New concepts, new ideas and tasks compel managers to change attitudes and approaches. Skills required to meet international standards are in many cases lacking and the time for acquiring them is very limited. According to estimates, the knowledge of some 300,000 managers, both in the private sector and in public administration, needs to be upgraded in the context of a market economy.

38. In the past two years over 100 individuals, companies and organizations in the private sector have offered Hungary various kinds of training programmes. However, some of them have proved not to be relevant to Hungarian conditions or to be of poor quality and have been offered on an ad hoc basis without regard for the need to considering management development as a continuous process.

39. For the public sector, the OECD secretariat and other donors, including the United States and Canada, are giving substantial assistance, mostly at central Government level. Germany is financing a series of seminars on governance for local government top officials, i.e. mayors and notaries. However there is still a considerable need for assistance in the financial and general management aspects of local government. To cope with the situation, the concept of setting up a Hungarian Management Institute has been worked out and endorsed by several sectoral ministries, NGOs and companies.

40. Proposed UNDP cooperation. Management development is one of the highest priorities in assisting Eastern European countries in transition. A regional project in this field is envisaged for the future. UNDP's technical assistance in undertaking an assessment of the training needs and assistance through which the level of management training could be significantly raised would be an excellent example of how country and regional programmes could effectively be linked.

41. On the public sector side, strengthening the management skills of local administration is a crucial element in the development and liberation of national capacity. The Government requests UNDP to draw up and implement a substantial programme for training local government officials in financial and general management, including such areas as budgeting, relationship between central and local budgets, levying local taxes, and the management of publicly owned assets such as utilities and housing. The training programme will be fully integrated in the human resource development programme of Hungarian public administration, its relevant aspects will be incorporated in future regular training programmes and its success will be measured in terms of the quality of the financial management systems in use at local government levels at the end of the programme period.

42. It is proposed that initially activities should be financed as far as possible from the Management Development Programme; the follow-up should utilize IPF as core funding and seek to expand its scope through cost-sharing and parallel funding mechanisms.

43. Complementary assistance. The concept of a Hungarian Management Institute has generated wide international interest. Multilateral and bilateral organizations such as the European Community, the United States Agency for International Development (USAID), the Chambre de Commerce of Paris, Amsterdam and Milan and the Irish Government have endorsed the programme and expressed their readiness to discuss further the modalities of participation. As mentioned above, various other aspects of public administration training are being supported by external partners. This programme will strengthen what is now the weakest link, build on past activities and provide a focus for any future offers of assistance in this particular field.

Environmental management and information systems

44. The Government of Hungary recognizes the serious deterioration of the state of the environment in the country, and acknowledges that it is reaching a danger level where it could negatively influence the life expectancy of the people and act as a brake on economic growth. It is imperative to reverse this trend in order to improve the quality of life of the Hungarian people, to remove a possible barrier to Hungary's integration into the European area and to smooth the way for sustained economic growth.

45. Certain improvements are expected to follow from the transition to a market economy, with increased attention being paid to the efficient use of energy and the minimization of waste of all kinds. However, by themselves these processes will be insufficient and may even engender negative trends. Active measures must therefore be taken at all levels in the form of legislation, improvements in monitoring, public information and grass-roots mobilization, as well as in pursuing the more immediate and onerous tasks of rehabilitating obsolete industrial plants, upgrading transport and other infrastructure and waste disposal.

46. These problems are being addressed through loans of US$ 250 million from the World Bank in the energy and transport sector. The Phare programme, in addition to financing the Regional Centre for the Environment in Budapest, allocated ECU 34 million in 1990-1991 to environmental projects to be applied to such areas as strengthening monitoring capacity, waste disposal and nature conservation. Other multilateral and bilateral partners are also participating in this effort.

47. Environmental management, by its very nature, has a strong regional and international character. The Government of Hungary is cooperating, and wishes to deepen its cooperation, with its neighbours, its other European partners and the whole international community in addressing this issue. The United Nations Conference on Environment and Development to be held in Rio de Janeiro in June 1992 will be an important step in working out a joint approach and coordinating priorities.

48. Proposed UNDP cooperation. The international and interdisciplinary nature of environmental protection, as well as its impact on the quality of human life, makes it a clear candidate for UNDP intervention within the framework of the Programme's mandate of promoting human development; this is also reflected in the list of UNDP priority areas of concentration.

49. Within the framework of the preparation of the "Joint Environmental Programme for Europe" and as a follow-up to the Pan-European Conference of Environmental Ministers in June 1991, UNDP is addressing local capacity-building for environmental management and consulting as its major orientation in the European region in the field of environment. The Hungarian Government welcomes this involvement because it draws upon some of UNDP's major comparative advantages (management development, local capacity-building) and mandate (human development, support to the private sector). The UNDP

European regional programme will take the lead, building on past successful networking activities and developing methodologies and training modules for managers (public and private, central and local) involved in environmental management and energy conservation. UNDP is also adopting this approach in the Global Environment Facility (GEF)-funded River Danube Basin project.

50. Within this context, the fifth country programme for Hungary includes a provision for environmental activities designed to provide additional support at the national level to UNDP's regional activities. In particular, it seeks to bring some of the past activities in air pollution and water quality monitoring within the framework of the UNDP programmes; new projects will be pursued according to the same principle of support to, and complementarity with, those programmes. The additional national-level input that would thus be linked into regional environmental activities is expected to result in measurable additional benefits to Hungary in terms of the number of nationals trained, integration into the subregional systems and networks and capacity to act as a demonstration and training centre for others.

Human development monitoring

51. The transition to a full market economy, which is the central priority of the Government of Hungary over the coming years, is a necessary but not sufficient condition for improving the quality of life of the population. While per capita income growth and the increase in personal freedom are at the forefront of the Government's concerns, specific attention must also be paid to indicators relating to income distribution, poverty levels, trends in education and health. Moreover, all significant indicators must be disaggregated by relevant categories such as sex, age, geographic location etc.

52. Proposed UNDP cooperation. UNDP's Human Development Reports 1990-1991 have quickly acquired international recognition because they provide a richer and more balanced basis for measuring the quality of life than GNP figures alone. The Hungarian Government wishes to exploit the expertise and understanding that UNDP has developed as a result of the Human Development Reports to improve its own national capacity for monitoring human development and to spread awareness of human development issues. The allocation made for this activity should serve to strengthen both data collection and analysis, in particular the communication between the sources of information and the decision-making process, as well as to improve awareness of the subject among decision makers, academics and the public at large, with special emphasis on the human aspects of development.

C. Assistance outside the main country programme areas

53. A modest percentage of the core resources for the fifth country programme, about one tenth, will be left unallocated. This unprogrammed reserve will serve two purposes: first, it will allow for the establishment of mechanisms for programme development, management, coordination and resource mobilization; secondly, it will provide the necessary flexibility for supporting new areas that may arise in the course of the programme.

D. Implementation and management arrangements

54. Programme approach. The Government welcomes the principle that UNDP assistance should be restricted to a very few national objectives of major importance to the country and of particular relevance to UNDP's mandate and expertise; within these sectors, all project proposals should be fully integrated into the larger context of government strategy and external technical assistance. This will be achieved through ongoing communication and coordination within the competent government agencies and national institutions. It will necessitate a new approach for national institutions at the project formulation, appraisal and approval stages in formulating and managing coherent programmes, coordinating external assistance and mobilizing the necessary funds. UNDP should continue its efforts to maintain close and direct ongoing communication with the relevant programme-coordinating authorities.

55. National execution, which has not yet been introduced in Hungary, will be emphasized to the maximum extent as an indication of national ownership of the programme, national capacity to promote development, commitment to its aims and activities and UNDP's mandate of strengthening local capacity. Execution arrangements will be examined on a case-by-case basis at the time of project formulation.

56. Since this is the first time that national execution is being introduced in Hungary, the Government and UNDP will examine the question of specific training for Hungarian personnel involved in managing nationally-executed projects.

57. Co-financing. The exploration of additional external funding sources to implement the programmes contained in this document will be the joint task of the Government and UNDP, and it will be carried out in the framework of a programme approach to development, as detailed above. The instruments to be used will be joint formulation missions with donor participation on mutually agreed priority themes; bidding for donor contracts; joint (Government/UNDP) approaches to donors; ongoing discussions with donors; local cost-sharing agreements with national executing agencies.

58. Cost-effectiveness will also be a crucial factor. Projects will pay close attention to inputs, particularly the effective use of consultants: national, the Transfer of Knowledge through Expatriate Nationals (TOKTEN) and United Nations International Short-Term Advisory Resources (UNISTAR) mechanisms will be used whenever feasible, integrated into coherent and well-designed projects.

59. Programme management. Since there is no UNDP office in Hungary, ongoing management of the programme will be carried out by the Department of International Economic Relations at the Ministry of Foreign Affairs in communication with UNDP Headquarters. Coordination and mutual information exchange with other ministries, especially the Ministry for International Economic Relations which coordinates OECD aid cooperation, will be

emphasized. Frequent communication with United Nations agencies will be maintained. Monitoring visits and evaluations of individual programmes and projects will be carried out jointly, as required.

60. The programme will undergo a joint review at its mid-point, i.e. during the course of 1994, according to UNDP rules and procedures. At that time, results will be analysed, priorities re-evaluated and the thrust of the country programme reaffirmed or modified.

Annex I

FINANCIAL SUMMARY

I. ESTIMATED RESOURCES (IPF + cost-sharing) TAKEN INTO ACCOUNT FOR PROGRAMMING

(Thousands of dollars)

Carry-over from fourth cycle IPF	120	
Fifth cycle IPF	1 776	
Subtotal IPF		1 896
Project cost-sharing (Government)	-	
Project cost-sharing (third Party)	-	
Programme cost-sharing	-	
Subtotal cost-sharing		-
TOTAL		1 896

II. ALLOCATION OF RESOURCES (IPF + cost-sharing) BY AREA OF CONCENTRATION

Area of concentration	IPF	Cost-sharing	Total	Percentage of total resources
Private sector	853	n/a	853	45
Management development	474	n/a	474	25
Environmental protection	190	n/a	190	10
Human development monitoring	190	n/a	190	10
Subtotal	1 707	-	1 707	90
Unprogrammed reserve	189	-	189	10
TOTAL	1 896	-	1 896	100

III. COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES USED IN AREAS OF CONCENTRATION

(Thousands of dollars)

A.	UNDP-administered funds	
	SPR	n/a
	UNCDF	
	UNSO	-
	UNIFEM	-
	UNRFNRE	-
	UNFSTD	-
	Subtotal	n/a
B.	Other United Nations resources	
	JCGP participating agencies	
	UNFPA	n/a
	UNICEF	
	WFP	
	IFAD	
	Other United Nations agencies (non-UNDP financed)	
	Global Environment Facility	n/a
	Subtotal	n/a
	Total non-core and other United Nations resources	1 896
C.	Non-United Nations resources	10 000
	TOTAL	11 896

Annex II

PROGRAMME MATRIX

Area of concentration	Area of focus a/					
	Poverty eradication and grass-roots participation	Environment and natural resource management	Management development	TCDC	Transfer and adaptation of technology	WID
I. PRIVATE SECTOR DEVELOPMENT						
Computer-based information services				*	*	
Financial institutions			*			
Support to SMEs	*		*			*
Infrastructure development	*					
Intellectual infrastructure			*	*		
II. MANAGEMENT DEVELOPMENT						
Assessment of training needs			*			
Local financial administration			*			
III. ENVIRONMENTAL MANAGEMENT AND INFORMATION SYSTEMS						
Building local capacity for environmental management and consulting		*	*	*		
IV. HUMAN DEVELOPMENT MONITORING						
Data collection and analysis						*
Linkage with policy-making	*		*			*

a/ Asterisks indicate major linkage only.